

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 NEA-10 ISO-00 FEA-01
ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00
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TO SECSTATE WASHDC 6123
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY BONN
AMEMBASSY BRASILIA
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY PARIS
:AMEMBASSY QUITO 1957
AMEMBASSY ROME
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
USINT BAGHDAD

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E.O. 11652: N/A
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TAGS: ENRG, OPEC, VE
SUBJECT: VENEZUELAN OIL PRICE INCREASES

1. SUMMARY: EXPORT PRICES OF VENEZUELAN CRUDE OIL WILL BE
INCREASED JANUARY 1 BY \$1.19 OR MORE PER BARREL RELATIVE TO THE
PRICES IN EFFECT A YEAR AGO. PRODUCT PRICES WILL ALSO INCREASE

SUBSTANTIALLY, AND PETROVEN OFFICIALS APPEAR CERTAIN OF THEIR ABILITY TO MAINTAIN EXPORTS AT THESE NEW PRICE LEVELS. END SUMMARY.

2. VENEZUELA'S NATIONAL OIL COMPANY, PETROVEN, HAS ADVISED ITS MAJOR CUSTOMERS OF THE NEW PRICE SCHEDULE FOR VENEZUELAN CRUDE OIL AND REFINED PRODUCTS WHICH WILL TAKE EFFECT JANUARY 1. SPECIFIC PRICES HAVE NOT BEEN OFFICIALLY RELEASED, BUT WE UNDERSTAND FROM TRADE SOURCES THAT THOSE REPORTED IN PETROLEUM INTELLIGENCE WEEKLY OF DECEMBER 27 ARE GENERALLY ACCURATE. THUS AS AN EXAMPLE, THE NEW PRICE FOR TIA JUANA 24 GRAVITY CRUDE WILL BE FIXED AT \$12.39 PER BARREL.

3. OVER THE PAST YEAR, PETROVEN HAS INCREASED THE PRICE OF A NUMBER OF ITS CRUDE OILS IN ACCORD WITH A QUARTERLY PRICE REVIEW AND ADJUSTMENT PROVISION CONTAINED IN ITS OFFTAKE AGREEMENTS WITH MAJOR BUYERS. IT APPEARS THAT IN APPLYING THE OPEC AGREED 10 PERCENT INCREASE, PETROVEN HAS TAKEN AS A BASE LEVEL THE PRICES IT HAD ESTABLISHED FOR THE FIRST QUARTER OF 1976. THUS, WHILE WE UNDERSTAND THAT MANY OF THE NEW PRICES REPRESENT SUBSTANTIALLY LESS THAN THE FULL \$1.19 PER BARREL INCREASE OVER THE PRICES PREVAILING FOR THE FOURTH QUARTER OF 1976, THEY ARE ALL AT LEAST \$1.19 ABOVE FIRST QUARTER 1976 LEVELS, WITH SOME MODERATELY HEAVY CRUDES UP BY \$1.50 TO \$1.60 PER BARREL.

4. PRODUCT PRICES, ARE ALSO GENERALLY HIGHER, WITH FUEL OIL PRICES AGAIN UP SHARPLY. HIGH SULFUR FUEL OIL, AT ABOUT \$11.90 PER BARREL, WILL BE PRICED 28 PERCENT ABOVE THE LEVEL OF A YEAR AGO.

5. REPRESENTATIVES OF TWO OF THE MAJOR BUYERS OF VENEZUELAN LIMITED OFFICIAL USE

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OIL AND PRODUCTS (EXXON AND GULF) RELUCTANTLY CONCEDE THAT EVEN WITH THE NEW PRICES, VENEZUELAN OIL STILL APPEARS TO BE COMPETITIVE WITH THAT OF OTHER SUPPLIERS AND IS LIKELY TO REMAIN SO AS LONG AS FUEL OIL DEMAND CONTINUES STRONG IN THE U.S. THEY INDICATE THAT PETROVEN APPEARS CONFIDENT OF ITS ABILITY TO PLACE WITH OTHER BUYERS ANY SUPPLIES THEY DECLINE TO TAKE.
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